

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Beulah	County Benzie
Fiscal Year End 12/31/2006	Opinion Date 05/18/2007	Date Audit Report Submitted to State 06/28/07	

We affirm that

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

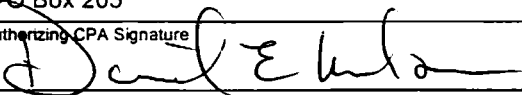
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Wilson, Ward CPA Firm		Telephone Number 231-276-7668		
Street Address PO Box 205		City Interlochen	State mi	Zip 49643
Authorizing CPA Signature 		Printed Name David E Wilson		License Number 1599387

VILLAGE OF BEULAH
BENZIE COUNTY, MICHIGAN

INDEPENDENT AUDITOR'S REPORT

For Year Ended
December 31, 2006

Wilson, Ward CPA Firm
PO Box 205
Interlochen, MI 49643
(231) 276-7668

May 18, 2007

Village President
Village of Beulah
Beulah, MI

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Village of Beulah. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Village of Beulah are listed in the notes. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Village of Beulah during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Beulah that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

COMMENT: The Bank reconciliations were not complete; checks clearing in November were listed as outstanding.

RECOMMENDATION: The Treasurer and Clerk should work together to insure that bank reconciliations are completed each month in a timely manner.

The cooperative attitude of the personnel and the Board was greatly appreciated. The staff has demonstrated their desire to perform their functions in an efficient and proper manner.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the Village of Beulah.

Sincerely,

A handwritten signature in black ink that reads "Wilson, Ward CPA Firm". The signature is written in a cursive, flowing style.

Wilson, Ward CPA Firm

VILLAGE OF BEULAH
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INTRODUCTORY SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
COMBINED REPORT APPLICABLE TO INTERNAL CONTROL OVER FINANCIAL REPORT BASED
ON AN AUDIT OF FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER
COMPLIANCE

Village of Beulah
Benzie County, Michigan

We have audited the financial statements of Village of Beulah as of and for the year ended December 31, 2006, and have issued our report thereon dated May 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Beulah's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Beulah's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Village of Beulah's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Finding 2006-1 Lack of segregation of duties

- Criteria: All agencies who are of sufficient size, should maintain controls over certain areas which require a segregation of certain duties such as cash management, cash disbursements, account distribution and cash receipts.
- Condition: The size of the organization places all of the responsibility for account distribution on one person. Therefore, there is little or no segregation of duties with regard to account distribution.
- Cause: This is inherent in the assignment of duties according to the Michigan State Accounting Manual, Chapter 7, in that the Clerk is responsible for general ledger accounting and the Treasurer for the expenditure of cash.

Effect: As a result of this condition, the organization lacks internal controls for proper account distribution.

View of Responsible Officials: The organization reviewed the need for enhanced internal control over account distribution and is instituting additional procedures to allow for review of account distribution.

Finding 2006-2 Revenue not recorded currently

Criteria: All Revenue should be recorded timely in the appropriate revenue accounts.

Condition: The Tax revenue is maintained in the tax (trust) account and not transferred to the appropriated General or Special Revenue accounts.

Cause: This is caused through the lack a timely transfers

Effect: As a result of this condition, the organization lacks internal controls for proper accounting for revenue.

View of Responsible Officials: The organization reviewed the need for enhanced internal control over revenue reporting and is instituting additional procedures to allow for more timely transfer of tax revenue.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. However, we did not consider any of the significant deficiencies described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Beulah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Village of Beulah in a separate letter dated May 18, 2007.

Village of Beulah's response to the findings identified in our audit are described above. We did not audit Village of Beulah's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, others within the organization and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Ward CPA Firm

Interlochen, MI
May 18, 2007

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Village Board
Village of Beulah
Beulah, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Beulah, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. The comparative statements carry values audited by other auditors in the prior year whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included is based on that report. These general purpose financial statements are the responsibility of the Village of Beulah's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Beulah, Michigan as of December 31, 2006, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 18, 2007 on the Village of Beulah's internal control and compliance with laws and regulations.

Wilson, Ward CPA Firm

Interlochen, MI
May 18, 2007

Village of Beulah

Management Discussion and Analysis

This discussion and analysis provides an overview of the Villages's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Village's financial statements.

Financial Highlights:

- The Village's net assets changed slightly with a 2 percent decrease attributed to depreciation.
- Business-type activity revenues decreased slightly less than the significant increase in expenditures. Fee increases were approved to cover this deficit.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Village's operations in more detail than the Government-Wide Financial Statements by providing information about the Village's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Village's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Village is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Village.

3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Village as a Whole:

The following table shows a comparison of current and previous year net assets:

Assets	2005	2006
Cash	1,246,106	1,210,959
Other Current Assets	73,492	291,410
Capital Assets Net	<u>2,865,332</u>	<u>2,786,270</u>
Total Assets	4,184,930	4,288,639
Liabilities and Net Assets		
Liabilities	1,011,512	910,775
Net Assets	<u>3,173,418</u>	<u>3,377,864</u>
Total Liabilities and Net Assets	4,184,930	4,288,639

The Village's combined net assets increased 3% from a year ago.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations. These assets decreased by approximately \$61,812 for the governmental activities. The current level of unrestricted net assets for our governmental activities stands at \$2,729,654.

Governmental Activities:

	2005	2006
Revenues		
Taxes	197,824	198,779
State Grants	84,634	89,444
Interest	12,312	29,753
Charges for Services	81,023	75,928
Other	<u>182,996</u>	<u>39,650</u>
Total Revenue	558,789	433,554
Expenditure	533,866	411,217
Transfers	<u>(50,000)</u>	<u>(9,953)</u>
Excess Revenue	24,923	12,384

Business Type Activities:

The Village's business-type activities consist of the Sewer and Water. The Village provides water from the Village water system to 95% of the Village's residents. The Village also provides sewage treatment to approximately 95% of the Village residents.

Overall revenues for these funds dropped 5% since 2005.

	Sewer & Water	
	2005	2006
Operating Revenue	244,553	231,187
Operating Expense	212,613	260,438
Depreciation	143,789	144,119
Non-operating Income (Expense)	<u>110,556</u>	<u>74,912</u>
Income (Loss)	(1,293)	(98,458)

The Village's Funds:

Our analysis of the Village's major funds begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Village's governmental services. The amount transferred from the General Fund for Water and Sewer is supported by an operational budget approved by the Village Board and included the use of reserve funds.

General Fund Budgetary Highlights:

Over the course of the year the Village Board was able to maintain the Village departments within their prescribed budgets resulting in total Village expenditures being below budget.

Capital Asset and Debt Administration:

Capital Assets

The Village made several major capital improvements in 2006. Total net assets are described in the table located in Note 4 of the footnotes.

Debt

The Village acquired no additional debt in 2006. Existing long-term debt was reduced with the final payment on the made on the 1988 General Obligation Bonds schedules below:

Bonds Payable	Beginning Balance	Additions	Retirements	Ending Balance
1988 GO Debt	20,000		20,000	0
1999 Limited Tax Sewer	110,000		5,000	105,000
1999 Unlimited Tax Sewer	<u>854,127</u>		<u>55,000</u>	<u>799,127</u>
	984,127		80,000	904,127

Economic Factors and Next Year's Budgets and Rates:

The Village budget for 2007 is reflective of the Village's financial status. The budget has been set to allow for an improvement in the Village's assets and subsequent financial.

General Overview of the Accomplishments of Beulah Charter Village in the 2006 Fiscal Year:

The Village finances have been managed very closely in 2006. The Village is in a very healthy state as a whole.

Contacting the Village's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at 7226 Commercial, PO Box 326, Beulah, MI 49617.

VILLAGE OF BEULAH
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, investments and cash equivalents	\$981,125	\$229,834	\$1,210,959
Receivables (net)	0	45,614	45,614
Prepaid Expenditures	0	0	0
Inventories	7,451	15,000	22,451
Due From Tax Fund	183,233	40,112	223,345
Capital Assets, net	472,463	2,313,807	2,786,270
Total Assets	<u>1,644,272</u>	<u>2,644,367</u>	<u>4,288,639</u>
LIABILITIES			
Accounts payable	4,468	0	4,468
Deferred revenue	2,180	0	2,180
Due to Other Agencies	0	0	0
Noncurrent liabilities	0	0	0
Due within one year	0	60,000	60,000
Due in more than one year	0	844,127	844,127
Total Liabilities	<u>6,648</u>	<u>904,127</u>	<u>910,775</u>
NET ASSETS			
Invested in capital assets, net of related debt	472,462	0	472,462
Restricted		175,748	175,748
Unrestricted (deficit)	1,165,162	1,564,492	2,729,654
Total Net Assets	<u>1,637,624</u>	<u>1,740,240</u>	<u>3,377,864</u>
Total Liabilities and Net Assets	<u>\$1,644,272</u>	<u>\$2,644,367</u>	<u>\$4,288,639</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEULAH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Assets		Total
			Governmental Activities	Primary Government Business-type Activities	
Primary government					
Governmental activities:					
Legislative	\$28,448	\$0	(\$28,448)	\$0	(\$28,448)
General government	93,368	0	(93,368)	0	(93,368)
Public safety	8,212	0	(8,212)	0	(8,212)
Public works	104,999	90,521	(14,478)	0	(14,478)
Health and Welfare	0	0	0	0	0
Community and Economic Development	11,271	0	(11,271)	0	(11,271)
Recreation and Culture	62,339	0	(62,339)	0	(62,339)
Other	24,626	0	(24,626)	0	(24,626)
Interest on Long Term Debt	0	0	0	(24,103)	(24,103)
Total Governmental Activities	333,263	90,521	(242,742)	(24,103)	(266,845)
Business Type Activities					
Enterprise Funds	404,557	231,187	0	(173,370)	(173,370)
Total Primary Government	737,820	321,708	(242,742)	(197,473)	(440,215)

General revenues:
Taxes

Property Taxes-general	\$198,779	\$0	\$198,779
Property Taxes-debt service	0	39,041	39,041
State-Shared Revenues	\$89,444	0	89,444
Unrestricted Investment Earnings	29,753	49,974	79,727
Franchise taxes	0	0	0
Contributions	5,166	0	5,166
Miscellaneous	19,891	0	19,891
Transfers	(9,953)	10,000	0
Total General Revenues-Special Items and Transfers	333,080	99,015	432,095
Changes in Net Assets	90,338	(98,458)	(8,120)
Net Assets - Beginning	1,547,286	1,838,698	\$3,385,984
Net Assets - Ending	\$1,637,624	\$1,740,240	\$3,377,864

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEULAH
Comparative Balance Sheet
Governmental Funds
December 31, 2005 & December 31, 2006

	General Fund		Major Street Fund		Local Street Fund		Public Improvement Fund		Capital Projects Fund		Non-Major Governmental Funds		Total	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
ASSETS														
Cash	\$522,844	374,961	\$77,686	\$91,891	\$32,420	\$50,017	\$252,526	\$238,225	\$25,179	\$20	\$23,582	\$5,098	\$934,237	\$760,212
Taxes Receivable	19,246												19,246	0
Inventory	3,581	7,451											3,581	7,451
Due From Other Funds	5	181,053									2,180	2,180	2,180	183,233
Total Assets	545,676	563,465	77,686	91,891	32,420	50,017	252,526	238,225	25,179	20	25,762	7,278	959,249	950,896
LIABILITIES AND FUND EQUITY														
LIABILITIES:														
Accounts Payable	5,959	4,468											5,959	4,468
Due to Other Funds													0	0
Deferred Taxes	19,246										2,180	2,180	21,426	2,180
Total Liabilities	25,205	4,468	0	0	0	0	0	0	0	0	2,180	2,180	27,385	6,648
FUND EQUITY:														
Fund Balance:														
Unreserved	520,471	558,997	77,686	91,891	32,420	50,017	252,526	238,225	25,179	20	23,582	5,098	931,864	944,248
Total Fund Equity	520,471	558,997	77,686	91,891	32,420	50,017	252,526	238,225	25,179	20	23,582	5,098	931,864	944,248
Total Liabilities and Fund Equity	\$545,676	\$563,465	\$77,686	\$91,891	\$32,420	\$50,017	\$252,526	\$238,225	\$25,179	\$20	\$25,762	\$7,278	\$959,249	\$950,896

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEULAH
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Funds
For the Year Ended December 31, 2005 & December 31, 2006

	General Fund		Major Street Fund		Local Street Fund		Public Improvement Fund		Capital Projects Fund		Non-Major Governmental Funds		Total	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
REVENUES														
Taxes	\$179,100	\$196,650	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,724	\$2,129	\$197,824	\$198,779
State Shared	32,237	31,767	35,692	38,745	16,705	18,932	0	0	0	0	0	0	84,634	89,444
Licenses and Permits	12,959	14,593	0	0	0	0	0	0	0	0	0	0	12,959	14,593
Charges for Services	81,023	75,928	0	0	0	0	0	0	0	0	0	0	81,023	75,928
Interest	7,407	18,835	217	730	65	305	4,354	9,496	23	60	246	327	12,312	29,753
Contributions & Donations	2,566	0	0	0	0	0	0	0	143,059	5,166	0	0	145,625	5,166
Reimbursements	19,244	19,872	0	0	0	0	0	0	0	0	0	0	19,244	19,872
Refunds	5,168	0	0	0	0	0	0	0	0	0	0	0	5,168	0
Other	0	19	0	0	0	0	0	0	0	0	0	0	0	19
Total Revenues	339,704	357,664	35,909	39,475	16,770	19,237	4,354	9,496	143,082	5,226	18,970	2,456	558,789	433,554
EXPENDITURES														
Routine Maintenance	52,703	34,595	17,125	19,409	18,206	16,426	0	0	0	0	0	0	88,034	70,430
Winter Maintenance	0	0	24,138	18,143	20,169	16,426	0	0	0	0	0	0	44,307	34,569
Public Safety	7,972	8,212	0	0	0	0	0	0	0	0	0	0	7,972	8,212
Other Administration	100,953	120,660	319	876	298	280	0	0	0	0	0	0	101,570	121,816
Community and Economic Development	21,700	11,271	0	0	0	0	0	0	0	0	0	0	21,700	11,271
Recreation and Culture	48,937	56,200	0	0	0	0	0	0	0	6,139	0	0	48,937	62,339
Other Functions	25,030	24,380	650	224	456	22	0	0	0	0	0	0	26,136	24,626
Debt Service	0	0	0	0	0	0	0	0	0	0	21,870	0	21,870	0
Capital Outlay	0	9,230	0	8,458	24,404	15,080	0	0	148,936	24,246	0	20,940	173,340	77,954
Total Expenditures	257,295	264,548	42,232	47,110	63,533	48,234	0	0	148,936	30,385	21,870	20,940	533,866	411,217
EXCESS REVENUES OVER (UNDER) EXPENDITURES	82,409	93,116	(6,323)	(7,635)	(46,763)	(28,997)	4,354	9,496	(5,854)	(25,159)	(2,900)	(18,484)	24,923	22,337
FUND BALANCE, BEGINNING	589,837	520,471	50,809	77,686	10,608	32,420	248,172	252,526	31,033	25,179	26,482	23,582	0	931,864
Transfer In(out)	(151,775)	(54,590)	33,200	21,840	68,575	46,594	0	(23,797)	0	0	0	0	0	(9,953)
FUND BALANCE, ENDING	\$520,471	\$558,997	\$77,686	\$91,891	\$32,420	\$50,017	\$252,526	\$238,225	\$25,179	\$20	\$23,582	\$5,098	\$931,864	\$944,248

The footnotes are an integral part of these Financial Statements.

Village of Beulah
Reconciliation of the Balance Sheet
to the Statement of Net Assets
December 31, 2006

Fund Balance - Total Governmental Funds	944,248
Amounts reported for governmental activities in the statement of net assets are different because:	
General Governmental Capital Assets of \$931,828 net of accumulated depreciation of \$ 459,366 are not financial resources and not reported in the funds. Net additions	472,463
Amount in Tax Fund	<u>220,913</u>
Net Assets of Governmental Activities	1,637,624

Village of Beulah
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
December 31, 2006

Change in Fund Balance - Total Governmental Funds	12,384
Governmental funds report capital outlays as expenditures. Capital outlays exceed depreciation by:	57,954
Payment of long term debt	<u>20,000</u>
Change in Net Assets	90,338

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEULAH
Comparative Balance Sheet
All Enterprise Funds
For the Years Ended December 31, 2005 & December 31, 2006

	<u>2005</u>	<u>2006</u>
ASSETS		
<i>Current Assts</i>		
Cash	\$97,077	\$67,022
Cash-Restricted	214,792	162,812
Account Receivable - Trade	43,632	45,614
Due From Other Funds	0	40,112
Taxes Receivable	4,848	0
Inventory		15,000
<i>Non-Current Assets</i>		
Work In Process	23,000	23,000
Property, Plant & Equipment	4,264,545	4,279,994
Less: Accumulated Depreciation	<u>(1,845,068)</u>	<u>(1,989,187)</u>
 Total Assets	 <u>2,802,826</u>	 <u>2,644,367</u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts Payable		
Deferred Revenue		
Security Deposits		
Accrued Interest Payable		
Due To Other Funds		
Bonds Payable	<u>964,127</u>	<u>904,127</u>
 Total Liabilities	 <u>964,127</u>	 <u>904,127</u>
 FUND EQUITY:		
Retained Earnings		
Unreserved	168,557	175,748
Reserved	<u>1,670,142</u>	<u>1,564,492</u>
 Total Fund Equity	 <u>1,838,699</u>	 <u>1,740,240</u>
 Total Liabilities and Fund Equity	 <u>\$2,802,826</u>	 <u>\$2,644,367</u>

VILLAGE OF BEULAH
Comparative Statement of Revenues, Expenditures and
Changes in Retained Earnings
All Enterprise Fund Types
For the Year Ended December 31, 2006

	<u>2005</u>	<u>2006</u>
OPERATING REVENUES		
Charges for Service	\$84,020	\$81,124
Taxes	\$81,480	83,640
Refunds and Other	\$79,053	66,423
Total Operating Revenues	<u>244,553</u>	<u>231,187</u>
OPERATING EXPENDITURES		
Operation and Maintenance	212,613	260,438
Interest Expense	0	0
Administration	0	0
Depreciation	<u>143,789</u>	<u>144,119</u>
Total Operating Expenditures	<u>356,402</u>	<u>404,557</u>
Operating Income (Loss)	(111,849)	(173,370)
NON-OPERATING INCOME (EXPENSE)		
Interest Expense and Fees	44,676	44,848
Interest on Investments	3,689	5,126
Sewer Debt Fees	38,634	39,041
Gain (Loss) on Disposal of Assets	(835)	
Bond Interest and Fees	(25,608)	(24,103)
Transfers In (Out)	<u>50,000</u>	<u>10,000</u>
Total Non-Operating Income (Expense)	<u>110,556</u>	<u>74,912</u>
NET INCOME (LOSS)	(1,293)	(98,458)
RETAINED EARNINGS, BEGINNING	<u>1,839,992</u>	<u>1,838,698</u>
Prior Period Adjustment	0	0
RETAINED EARNINGS, ENDING	<u><u>\$1,838,699</u></u>	<u><u>\$1,740,240</u></u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEULAH
Comparative Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2006

	<u>2005</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Operating Income	(\$111,849)	(\$89,317)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	143,789	144,119
(Increase) Decrease in Account Receivables - Trade	327	(1,982)
(Increase) Decrease in Inventory		(15,000)
(Increase) Decrease in Property Taxes Receivable	(152)	4,848
(Increase) Decrease in Due From Other Funds		(40,112)
Increase (Decrease) in Deferred Revenue		0
Increase (Decrease) in Accounts Payable		0
Increase (Decrease) in Security Deposits		0
Increase (Decrease) in Accrued Interest Payable		0
Increase (Decrease) in Due to Other Funds		<u>0</u>
Net Cash Provided by Operating Activities	32,115	2,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	3,689	4,962
Change in Deposits		10,000
Acquisition of Capital Assets		<u>(15,450)</u>
Net Cash Provided by Investing Activities	3,689	(488)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid on Long-Term Debt	(25,608)	(24,103)
Principal paid on Long-Term Debt	(60,000)	(60,000)
Other	<u>44,974</u>	<u>0</u>
Net Cash Used by Financing Activities	(40,634)	(84,103)
TRANSFERS IN / (OUT)	50,000	0
NET INCREASE IN CASH AND EQUIVALENTS	<u>45,170</u>	<u>(82,035)</u>
CASH AND EQUIVALENTS, BEGINNING	266,699	311,869
CASH AND EQUIVALENTS, ENDING	<u>\$311,869</u>	<u>\$229,834</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEULAH
Balance Sheet
All Fiduciary Funds
December 31, 2006

	Sewer Fund
ASSETS	
Cash	\$220,913
Total Assets	<u>220,913</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES:	
Due to Other Funds	220,913
Total Liabilities	<u>220,913</u>
FUND EQUITY:	
Fund Equity	<u>0</u>
Total Fund Equity	<u>0</u>
Total Liabilities and Fund Equity	<u>\$220,913</u>

The footnotes are an integral part of these Financial Statements.

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Beulah have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting Entity

The Village of Beulah was incorporated in 1932 as a home rule Village. The Village operates under a charter adopted on January 25, 1932, as amended and is governed by an elected President-Council form of government. The Village population as of the 2000 census was 383 and the current state taxable valuation is \$22,439,352.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

Beulah Public Library. The Beulah Public Library has moved from the Village Hall Building and serves the general public. The Library Board is not appointed, controlled by or responsible to the Village Council. Library operations and management functions are totally separate from the Village and the Library is required to have a separate audit of its financial statements. Based on these facts, the Village does not consider the Library as part of its reporting entity and does not include the financial activity of the Library Board in these financial statements.

B. Government —Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village collects property taxes between July 1 and September 15. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Village for uncollected taxes from the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Village to collect. Delinquent real property taxes receivable are offset by deferred revenue on the Village's balance sheet, as these accounts are not normally received within sixty days of year-end, and are therefore not available to finance operations.

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the fiscal period. Property taxes and state-shared revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current period. All other revenue items are considered to be available only when the cash is received by the government.

The local unit reports the following major governmental funds:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds— Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The major special revenue funds maintained by the Village are the Major Streets, Local Streets, Public Improvement and Capital Projects Funds.

Capital Projects Fund — Capital Project Funds are used to account for the acquisition or construction of major capital facilities by governmental units that are not accounted for by proprietary funds and trust funds.

The Village also maintains the following non-major Special Revenue Funds: Water and Sewer Improvement Fund and Debt Service Fund.

The local unit reports the following major proprietary fund:

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The Water & Sewer Fund is operated with the intention that the cost of providing water services to the public will be financed or recovered primarily through charges to users.

Additionally, the government reports the following fund types:

Motor Vehicle Fund - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The Village operates a Motor Vehicle Equipment Pool Fund.

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- *continued*

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the tax fund and the related funds. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services, including tap fees intended to recover current costs such as labor and material to hook up new customers. The portion of charges intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments- Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Accounts Receivable- Accounts Receivable are recorded in the Water Fund at the time customers are billed for current services. Uncollected delinquent accounts are placed on the customer's tax bill in the summer and any amounts not collected by the Village are turned over to the County.

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Inventories - Proprietary Fund type inventories are estimated at year-end, and are reflected in the Financial Statement. General Fund inventories consist of garbage bags to be resold and are recorded at cost.

Vacation and Sick Leave - The Village has a formal personnel policy relating to vacation and sick leave. All vacations must be taken within twelve months of the seniority date. Each employee will be entitled to six days per year sick leave, cumulative up to ninety days. Upon termination of employment, the employee will not receive pay for any unused portion. Because of this, unused sick leave is recognized when paid, and no liability is reflected in the financial statements.

Restricted Assets — The revenue bonds of the enterprise fund require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and bond reserve. These amounts have been classified as restricted assets.

Capital Assets — Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of capital assets are maintained in the vehicle pool. However, the bulk of these assets are used and maintained within the proprietary fund and hence are rolled into the water and sewer fund for the reporting of business-type expenses.

Depreciation has been provided on these fixed assets using the straight line method over their estimated useful lives.

- | | |
|----------------------------------|-------------|
| ● Furniture and Office Equipment | 5 years |
| ● Maintenance Equipment | 7 years |
| ● Park Equipment and Structures | 10 years |
| ● Buildings and Improvements | 30 years |
| ● Water & Sewer Fun | 10-50 years |
| ● Motor Vehicle Fund | 5-10 years |

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The General Fund and Special Revenue Fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis. It is used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Village.

In the body of the financial statements the Villages actual expenditures and budgeted expenditures for the budgetary funds have been shown on a function basis. The approved budgets of the Village for these budgetary funds were adopted at the activity level.

Encumbrance accounting is not used and appropriations lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the current year, the Village incurred the following expenditures in excess of the amounts appropriated.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund: Village Council	\$19,550	\$28,448	\$(8,898)
Parks and Recreation	45,000	56,200	(11,200)

The Capital Projects Fund is a new fund in 2005 maintained for the construction of Trailhead and Visitor Center in the Village. In the prior year, the receipts and disbursements were accounted for in an agency fund because it was undetermined who would "own" the building. During 2005, it was determined the Village would lease the land as well as own and maintain the building. No budget was established and none is required under P.A. 621 of 1978, as amended.

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 3- DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943 as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the Village, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection 2.
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
4. In banker's acceptances of United States banks.
5. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Village maintains all its surplus funds with local banks in the form of savings/checking accounts and certificates of deposit. Interpreting FDIC rules regarding the \$100,000 insurance limit to apply separately to the demand and time deposits of public units, GASB statement 3 risk disclosures for the Village are as follows:

Category 1 Insured or collateralized with securities held by the entity or its agent in the entity's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in entity's name.

Category 3 Un-collateralized

C. Deposits

	<i>Category 1</i>	<i>Category 3</i>
	Insured	Uninsured
Cash	\$200,000	\$790,046

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 4 - SUMMARY OF CAPITAL ASSETS

Capital asset activity of the primary government for the current year is summarized as follows:

A Governmental Activities

	<i>Beginning</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
Capital Assets Not Being Depreciated				
Land	\$ 29,781			\$ 29,781
Construction in Progress	178,624		178,624	0
Capital Assets Being Depreciated				
Land Improvements	79,847	1,360		81,207
Buildings	310,653	209,766		520,419
Equipment	188,123	53,635		204,103
Roads/Paving	73,047	23,371		96,318
Vehicles Equip	306,678	15,450		322,129
Total	958,348	303,582		1,261,930
Accumulated Depreciation				
Land Improvements	21,547	2,711		24,259
Buildings	241,463	10,101		251,564
Equipment	169,891	5,100		174,990
Roads/Paving	4,319	4,234		8,553
Vehicles Equip	184,137	29,974		207,112
Total	621,357	45,120		666,478
Net General Assets	336,991	258,462		595,396

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 4 - SUMMARY OF CAPITAL ASSETS

Business-Type Activities

	<i>Beginning</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
Construction In Progress	\$23,000			\$23,000
Water Plant & Systems	1,304,743			1,304,743
Sewage Systems	2,653,122			2,653,122
Accumulated Depreciation				
Water Plant & Systems	(559,351)	(39,678)		(638,707)
Sewage Systems	(1,061,900)	(81,467)		(1,143,368)
Net Business Systems	2,359,614	(121,145)		2,238,469

NOTE 5 - LONG TERM DEBT

The following is a summary of transactions that occurred in bonds payable during the year ended December 31, 2006:

	<u>1988 GO Debt Bonds</u>	<u>1999 Limited Tax Sewer Bonds</u>	<u>1999 Unlimited Tax Sewer Bonds</u>
Beginning Balances	\$20,000	\$110,000	\$854,127
Debt Payments	<u>20,000</u>	<u>5,000</u>	<u>55,000</u>
Ending Balance	0	105,000	799,127

1988 General Obligation Water and Sewer Improvement Bonds

On February 19, 1987, the village issued bonds in the principal amount of \$285,000 for the purpose of defraying a part of the cost of constructing Water and Sewer System improvements. The principal retirement made on November 1, 2006 completed the payment of this obligation.

1999 General Obligation Sewer Improvement Bonds

On August 5, 1999, the Village approved bonds in the principal amount of \$1,340,000 for the purpose of defraying a part of the cost of constructing Sewer System improvements. The bonds are payable through an annual property tax levy and special user fee sufficient to pay the interest and principal as they fall due.

1999 General Obligation Limited Tax Bonds. The payment schedule is as follows:

	Payment	Interest	Principal
2007	\$7,620	\$2,620	\$5,000
2008	7,500	2,500	5,000
2009	7,375	2,375	5,000
2010	7,250	2,250	5,000
2011	7,125	2,125	5,000
2012-2016	57,000	7,500	50,000
2017-2019	31,500	1,500	30,000

1999 General Obligation Unlimited Tax Sewer Bonds - Interest payable October 1 and April 1 of each year, with principal (\$1,200,000) due on October 1 of each year as follows:

	Payment	Interest	Principal
2007	\$74,978	\$19,978	\$55,000
2008	73,603	18,603	55,000
2009	72,228	17,228	55,000
2010	70,823	15,803	55,000
2011	69,478	14,478	55,000
2012-2016	360,360	50,360	310,000
2017-2019	225,061	10,934	214,127

NOTE 6- RETIREMENT PLANS

A SIMPLE IRA Plan was made available to all Village employees beginning in January of 2002. Employees may contribute a portion of their annual wages before taxes to the Plan. The Village matches employee contributions up to 3% of gross wages. The contribution expense for the year ended December 31, 2006 was \$1,318.

Village of Beulah
Notes to Financial Statements
For the Year Ended December 31, 2006

NOTE 7- LEASES

The Friends of the Betsie Valley Trail, Rotary charities and the Village joined to build a visitors' center at the Betsie Valley trailhead in the Village of Beulah. The building is built on property owned by the State of Michigan and leased to the Village of Beulah. The initial term of the lease is 25 years beginning July 1, 2005 with no lease payment. However, the Village is responsible for the maintenance and upkeep of the building according to the terms of the lease. For 2006, the Village has budgeted for the maintenance as part of its buildings and grounds budget activity in the general fund of the Village.

NOTE 8-TRANSFERS

Transfers from the general fund have been made to the major and local street funds to the improvement of Village infrastructure.

NOTE 9-OTHER COMMITMENTS

The Village has completed certain engineering work for an upcoming improvement to the existing water and sewer system. This is shown as construction work in process. It is anticipated that this project will continue in the next fiscal year.

NOTE 10- RISK MANAGEMENT

The Village pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Village carries coverage for property damage, liability, wrongful acts, automobile, crime, and inland marine claims. Also, the Village carries worker's compensation insurance with Accident Fund of Michigan. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Village carries health insurance with Michigan Municipal League.

NOTE 11- COMMITMENTS

The Village is in the process of planning and engineering improvements to its water and sewer system. The Village expects to issue bonds to fund the improvements estimated to cost 2.2 million dollars. To date, the Village has incurred approximately \$23,000 in costs related to the engineering and planning of the new project.

NOTE 12-USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

SUPPLEMENTAL STATEMENTS

WILSON, WARD CPA FIRM

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To the Beulah Village Council
Beulah, MI

We have audited the combined financial statements of the Village of Beulah, Michigan for the year ended December 31, 2006. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson, Ward CPA Firm

Interlochen, MI
May 18, 2007

General Fund

VILLAGE OF BEULAH
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund-Budget vs. Actual
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Current Property Taxes	\$201,000	\$201,000	\$196,873	(\$4,127)
Specific Tax	0	0	0	0
Licenses and Permits	10,500	10,500	14,593	4,093
State Shared Revenues	32,000	32,000	31,767	(233)
Insurance Paybacks	0	0	0	0
Earned Interest	0	0	0	0
Rents and Royalties	61,000	61,000	48,800	(12,200)
Charges for Service	10,400	10,400	11,029	629
Park Escrow	27,000	27,000	16,099	(10,901)
Other Revenue	16,500	16,500	19,889	3,389
Insurance Claim	0	0	0	0
Interest CDs	4,000	4,000	18,614	14,614
Total Receipts	362,400	362,400	357,664	(4,736)
Incoming Transfers	0	0	71,670	71,670
Total Revenues	362,400	362,400	429,334	66,934
Expenditure				
Legislative				
Village Council	19,550	19,550	28,448	(8,898)
Accounting	9,100	9,100	8,629	471
Clerk	15,116	15,116	13,914	1,202
Treasurer	16,700	16,700	11,045	5,655
Hall and Grounds	65,780	65,780	43,824	21,956
Other General Govt	62,850	62,850	58,624	4,226
Total General Government	189,096	189,096	164,484	24,612
Public Safety				
Police Department	10,000	10,000	8,212	1,788
Total Public Safety	10,000	10,000	8,212	1,788
Public Works:				
Street Lights	12,000	12,000	12,139	(139)
Sanitation	17,000	17,000	12,106	4,894
Total Public Works	29,000	29,000	24,245	4,755
Community and Economic Development				
Planning	300	300	0	300
Zoning	14,300	14,300	11,271	3,029
Total Community and Economic Development	14,600	14,600	11,271	3,329
Parks and Recreation	45,000	45,000	56,200	(11,200)
Contingency	0	0	135	(135)
Outgoing Transfers	148,925	148,925	68,434	80,491
Total Expenditures	\$436,621	\$436,621	\$332,981	\$103,775

Special Revenue Funds

VILLAGE OF BEULAH
Combining Comparative Balance Sheet
All Non Major Funds
December 31, 2005 & December 31, 2006

	Water & Sewer Improvement Fund		Debt Service Fund		Total	
	2005	2006	2005	2006	2005	2006
ASSETS						
Cash	\$5,051	\$5,098	\$18,531	\$0	\$23,582	\$5,098
Due From General Fund	0	0	0	0	0	0
Due From State	0	0	0	0	0	0
Taxes Receivable	0	0	2,180	2,180	2,180	2,180
Total Assets	5,051	5,098	20,711	2,180	25,762	7,278
LIABILITIES AND FUND EQUITY						
	0	0	0	0	0	0
LIABILITIES:	0	0	0	0	0	0
Accounts Payable	0	0	0	0	0	0
Due to Other Funds	0	0	0	0	0	0
Deferred Taxes	0	0	2,180	2,180	2,180	2,180
Total Liabilities	0	0	2,180	2,180	2,180	2,180
FUND EQUITY:						
Fund Balance:		0		0	0	0
Unreserved	5,051	5,098	18,531	0	23,582	5,098
Total Fund Equity	5,051	5,098	18,531	0	23,582	5,098
Total Liabilities and Fund Equity	\$5,051	\$5,098	\$20,711	\$2,180	\$25,762	\$7,278

The footnotes are an integral part of these Financial Statements.

VILLAGE OF BEULAH
Combining Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
All Non Major Funds
For the Year Ended December 31, 2005 & December 31, 2006

	Water & Sewer Improvement Fund		Debt Service Fund		Total	
	2005	2006	2005	2006	2005	2006
REVENUES						
Taxes	\$0	\$0	\$18,724	\$2,129	\$18,724	\$2,129
State Shared	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0
Interest	18	47	228	280	246	327
Contributions & Donations						
Reimbursements						
Refunds						
Other	0	0	0	0	0	0
Total Revenues	18	47	18,952	2,409	18,970	2,456
EXPENDITURES						
Routine Maintenance	0	0	0	0	0	0
Winter Maintenance	0	0	0	0	0	0
Public Safety					0	0
Other Administration	0	0	0	0	0	0
Community and Economic Development	0	0	0	0	0	0
Recreation and Culture	0	0	0		0	0
Other Functions	0	0	0	0	0	0
Debt Service			21,870		21,870	0
Capital Outlay	0	0	0	20,940		20,940
Total Expenditures	0	0	21,870	20,940	21,870	20,940
EXCESS REVENUES OVER (UNDER) EXPENDITURES	18	47	(2,918)	(18,531)	(2,900)	(18,484)
FUND BALANCE, BEGINNING	5,033	5,051	21,449	18,531	26,482	23,582
Transfer In	0	0	0	0	0	0
FUND BALANCE, ENDING	\$5,051	\$5,098	\$18,531	\$0	\$23,582	\$5,098

Proprietary Funds

VILLAGE OF BEULAH
Combining Comparative Balance Sheet
All Non Major Enterprise Funds
For the Years Ended December 31, 2005 & December 31, 2006

	Water & Sewer Fund		Equipment Pool Fund		Total	
	2005	2006	2005	2006	2005	2006
ASSETS						
<i>Current Assts</i>						
Cash	\$56,257	\$45,028	40,820	21,994	97,077	67,022
Cash-Restricted	214,792	\$162,812			214,792	162,812
Account Receivable - Trade	43,632	45,614			43,632	45,614
Due From Other Funds		40,112			0	40,112
Taxes Receivable	4,848				4,848	0
Inventory		15,000				15,000
<i>Non-Current Assets</i>						
Work In Process	23,000	23,000			23,000	23,000
Property, Plant & Equipment	3,957,866	3,957,865	306,679	322,129	4,264,545	4,279,994
Less: Accumulated Depreciation	(1,660,930)	(1,782,075)	(184,138)	(207,112)	(1,845,068)	(1,989,187)
Total Assets	2,639,465	2,507,356	163,361	137,011	2,802,826	2,644,367
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts Payable						
Deferred Revenue						
Security Deposits						
Accrued Interest Payable						
Due To Other Funds						
Bonds Payable	964,127	904,127			964,127	904,127
Total Liabilities	964,127	904,127			964,127	904,127
FUND EQUITY:						
Retained Earnings						
Unreserved	127,737	153,754	40,820	21,994	168,557	175,748
Reserved	1,547,601	1,449,475	122,541	115,017	1,670,142	1,564,492
Total Fund Equity	1,675,338	1,603,229	163,361	137,011	1,838,699	1,740,240
Total Liabilities and Fund Equity	\$2,639,465	\$2,507,356	\$163,361	\$137,011	\$2,802,826	\$2,644,367

VILLAGE OF BEULAH
Combining Comparative Statement of Revenues, Expenses and Changes in Retained Earnings
All Enterprise Funds
For the Years Ended December 31, 2005 & December 31, 2006

	Water and Sewer Fund		Equipment Pool Fund		Total	
	2005	2006	2005	2006	2005	2006
OPERATING REVENUES						
Charges for Service - Water	\$84,020	\$81,124			84,020	81,124
Charges for Service - Sewer	81,480	\$83,640			81,480	83,640
Refunds and Other	28,627	23,808	50,426	42,615	79,053	66,423
Total Revenues	194,127	188,572	50,426	42,615	244,553	231,187
OPERATING EXPENDITURES						
Operations and Maintenance	169,679	214,283	42,934	46,155	212,613	260,438
Interest Expense	0	0				
Administration	0	0				
Depreciation and Amortization	120,968	121,145	22,821	22,974	143,789	144,119
Total Expenditures	290,647	335,428	65,755	69,129	356,402	404,557
OPERATING INCOME (LOSS)	(96,520)	(146,856)	(15,329)	(26,514)	(111,849)	(173,370)
NON-OPERATING INCOME (EXPENSE)						
Tax Assessments	44,676	44,848			44,676	44,848
Interest on Investments	3,550	4,962	139	164	3,689	5,126
Sewer Debt Fees	38,634	39,041			38,634	39,041
Gain(loss) on Disposal of Assets			(835)		(835)	0
Bond Interest and Fees	(25,608)	(24,103)			(25,608)	(24,103)
Total Non-Operating Income (Expenses)	61,252	64,748	(696)	164	60,556	64,912
NET INCOME (LOSS)	(35,268)	(82,108)	(16,025)	(26,350)	(51,293)	(108,458)
Transfers In	50,000	10,000			50,000	10,000
RETAINED EARNINGS, BEGINNING	1,660,606	1,675,338	179,386	163,361	1,839,992	1,838,698
RETAINED EARNINGS, ENDING	\$1,675,338	\$1,603,230	\$163,361	\$137,011	\$1,838,699	\$1,740,240

VILLAGE OF BEULAH
Combining Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2006

	Water & Sewer Fund	Equipment Pool Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating Income	(\$77,967)	(\$26,350)	(\$104,317)
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities			
Depreciation	121,145	22,974	144,119
(Increase) Decrease in Account Receivable - Trade	(1,982)	0	(1,982)
(Increase) Decrease in Grant Receivable	0	0	0
(Increase) Decrease in Property Taxes Receivable	4,848	0	4,848
(Increase) Decrease in Due From Other Funds	(40,112)	0	(40,112)
Increase (Decrease) in Deferred Revenue	0	0	0
Increase (Decrease) in Accounts Payable	0	0	0
Increase (Decrease) In Due To Other Funds	0	0	0
Increase (Decrease) in Accrued Interest Payable	0	0	0
Net Cash Provided by Operating Activities	5,932	(3,376)	2,556
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	4,962	0	4,962
Transfers in	10,000	0	10,000
Acquisition of Capital Assets	0	(15,450)	(15,450)
Net Cash Provided by Investing Activities	14,962	(15,450)	(488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on Long-Term Debt	(24,103)	0	(24,103)
Principal paid on Long-Term Debt	(60,000)	0	(60,000)
Change in Reserved Retained Earnings	0	0	0
Net Cash Used by Financing Activities	(84,103)	0	(84,103)
TRANSFERS IN (OUT)	0	0	0
NET INCREASE IN CASH AND EQUIVALENTS	(63,209)	(18,826)	(82,035)
CASH AND EQUIVALENTS, BEGINNING	271,049	40,820	311,869
CASH AND EQUIVALENTS, ENDING	\$207,840	\$21,994	\$229,834

The footnotes are an integral part of these Financial Statements.